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WAH SUN HANDBAGS INTERNATIONAL HOLDINGS LIMITED
華新手袋國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2683)

PROFIT WARNING ANNOUNCEMENT

This announcement is made by Wah Sun Handbags International Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 25 March 2020, 29 April 2020 and 25 May 2020 (the "**Announcements**") on the latest development of the impact of the COVID-19 Outbreak (as defined in the Announcements) on the operations of the Group. Unless the context requires otherwise, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

The board (the "**Board**") of directors of the Company (the "**Directors**") wishes to inform the shareholders of the Company and potential investors that, to the best knowledge and belief of the Board and based on the information currently available to the Company and the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 September 2020 (the "**Reporting Period**"), it is anticipated that the Group will record the net profit attributable to the owners of the Company of not more than approximately HK$2 million for the Reporting Period as compared to the net profit attributable to owners of the Company of approximately HK$26 million recorded for the corresponding period of last year.

The decrease in the net profit attributable to the owners of the Company was mainly attributable to the net effect of the following factors:

(i) the decrease in revenue by approximately HK$265 million to approximately HK$180 million for the Reporting Period from approximately HK$445 million for the six months ended 30 September 2019, representing a decrease of approximately 60%. The decrease was mainly attributable to the adverse impact from the COVID-19 Outbreak, which resulted in the overall sluggish atmosphere in the consumer markets of North America and the European Union, the largest markets for our products;

(ii) the corresponding decrease in gross profit and gross profit margin led by the drop in revenue as a result of the drop in the quantity of goods sold by the Group and included in cost of sales, being the fixed costs such as most of the direct labour cost in our production facilities and the depreciation of property, plant and equipment;

(iii) the temporary suspension for most of the production facilities of the Group in Cambodia during the period from end of March 2020 to early May 2020; and

(iv) the reduction in selling and distribution expenses and administrative expenses when compared with the corresponding period of last year as this was mainly attributable to the drop in the level of sales activity and various cost control measures undertaken by the Group during the Reporting Period.

During the Reporting Period, the Group has executed a series of cost control measures, which are, including but not limited to, actively negotiating with landlords for rental reductions and seeking for more favourable terms with suppliers and business partners. Consents for rent reductions have been obtained for some of the offices and land occupied by the Group from landlords with 50% rental reductions for the six month period of April 2020 to September 2020. In addition, following the sharp fall of revenue due to the COVID-19 Outbreak, all executive Directors have taken the lead in reducing their monthly salaries by 50% temporarily from April 2020. At the same time, staff salaries have also been adjusted to reflect the current market conditions. The Board will continue to monitor the development of COVID-19 and the business performance of the Group and implement appropriate measures to cope with future uncertainties.

As the Company is still in the process of finalising the unaudited interim results of the Group for the Reporting Period, the information contained in this announcement is only based on the preliminary assessment by the management of the Company with reference to the unaudited consolidated management accounts of the Group, which have not been confirmed, reviewed or audited by the Company's auditors or audit committee of the Company and may be different from the actual unaudited interim results of the Group for the Reporting Period. Detailed financial information of the Group will be disclosed in the interim results announcement of the Group for the Reporting Period which is expected to be published before the end of November 2020.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

For and on behalf of
Wah Sun Handbags International Holdings Limited
Ma Hing Man
Chairman and Executive Director

Hong Kong, 30 October 2020

As at the date of this announcement, the executive Directors are Mr. Ma Hing Man (Chairman), Mr. Ma Hing Ming (Chief Executive Officer), Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung; and the independent non-executive Directors are Mr. Lam Kwok Cheong, Mr. Wong Wai Keung Frederick and Mr. Yeung Chi Wai.